

VZCZCXYZ0030
OO RUEHWEB

DE RUEHJMA #0868 1311218
ZNR UUUUU ZZH ZUI RUEWMCF2400 1311230
O 111218Z MAY 07
FM AMCONSUL JERUSALEM
TO RUEHC/SECSTATE WASHDC0000
INFO ARAB ISRAELI COLLECTIVE
RHEHNSC/NSC WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RUEHBS/USEU BRUSSELS

UNCLAS JERUSALEM 000868

SIPDIS

SENSITIVE
SIPDIS

NEA FOR FRONT OFFICE; NEA/IPA FOR
WILLIAMS/SHAMPAGNE/BELGRADE; PLEASE PASS TO NSC FOR
ABRAMS/DORAN/WATERS; TREASURY FOR
SZUBIN/LOEFFLER/NUGENT/ADKINS; PLEASE PASS TO USAID FOR
KUNDER/MCCLOUD/BORODIN

E.O. 12958: N/A
TAGS: [EFIN](#) [EAID](#) [KWBG](#) [ECON](#) [PHUM](#)
SUBJECT: WORLD BANK ESSP STILL STRUGGLING TO DELIVER
PHARMACEUTICALS

REF: 2006 JERUSALEM 4232

¶1. (SBU) SUMMARY: THE WORLD BANK'S EMERGENCY SERVICES
SUPPORT PROGRAM (ESSP) TEAM MET WITH DONOR COUNTRY
REPRESENTATIVES APRIL 26 TO DISCUSS THE PROGRAM'S CURRENT
STATUS, INCLUDING ITS IMPACT AND IMPLEMENTATION. WORLD BANK
OFFICIALS SAID THAT PRESIDENT ABBAS HAS DESIGNATED PLO
ECONOMIC AFFAIRS DEPARTMENT HEAD SALAM FAYYAD TO SIGN
AGREEMENTS WITH THE WORLD BANK. BANK OFFICIALS CITED DELAYS
IN THE PROCUREMENT PROCESS AS THE CENTRAL REASON BEHIND THE
PROGRAM'S SLUGGISH IMPLEMENTATION IN 2007, AS ONLY 29 PERCENT
OF ESSP FUNDS HAD BEEN DISBURSED AS OF APRIL 26. END
SUMMARY.

¶2. (SBU) THE ESSP WAS RE-LAUNCHED IN MID-2006 AS ONE OF THE
WINDOWS OF THE TIM (SEE REFTEL). NINE DONORS, INCLUDING
AUSTRIA, BELGIUM, THE EUROPEAN COMMISSION, FRANCE, NORWAY,
SPAIN, SWITZERLAND, SWEDEN, AND THE UK, HAVE PLEDGED USD 62
MILLION TO THEIR LATEST PHASE OF THE TIM. THE ESSP IS
FINANCING 50 PERCENT OF THE NON-SALARY BUDGETS OF THE
MINISTRIES OF EDUCATION (MOE), HEALTH (MOH), AND SOCIAL
AFFAIRS (MOSA); IN ADDITION TO THAT OF THE PALESTINIAN WATER
AUTHORITY, THE PALESTINIAN ENERGY AUTHORITY, AND THE COASTAL
MANAGEMENT WATER UTILITY. ACCORDING TO BANK OFFICIALS, AS OF
APRIL 15, ONLY USD 16.4 MILLION (29 PERCENT) OF THE AVAILABLE
FUNDS HAVE BEEN DISBURSED. THE BANK PROJECTS THAT 71 PERCENT
WILL BE DISBURSED BY THE END OF JUNE. END SUMMARY.

¶3. (SBU) WORLD BANK WB/G DIRECTOR DAVID CRAIG CONFIRMED THAT
PA PRESIDENT ABBAS DESIGNATED PLO ECONOMIC AFFAIRS DEPARTMENT
HEAD SALAM FAYYAD TO SIGN, ON BEHALF OF THE PLO, ALL WORLD
BANK GRANT AGREEMENTS INSTEAD OF PA PRESIDENCY CHIEF OF STAFF
RAFIQ HUSSEINI. DONORS AT THE MEETING URGED THAT FAYYAD ALSO
SIGN CONTRACTS WITH SUPPLIERS, INSTEAD OF HUSSEINI, IN ORDER
TO SPEED-UP PROCUREMENT.

STRUGGLING WITH THE DELIVERY OF PHARMACEUTICALS

¶4. (SBU) ESSP TEAM LEADER EILEEN MURRAY SAID THAT THE ESSP'S
DISBURSEMENT LEVELS HAVE BEEN LOWER THAN ANTICIPATED BECAUSE
OF DELAYS IN PROCUREMENT AND BID EVALUATIONS BY THE MOH. A
USD 8.5 MILLION INTERNATIONAL COMPETITIVE BIDDING (ICB)
PROCUREMENT PACKAGE FOR DRUGS HAD BEEN DELAYED BY THE PA
MOHS REFUSAL TO APPROVE THE PROCUREMENT OF
INDIAN-MANUFACTURED DRUGS, WHICH THEY BELIEVE ARE NOT OF THE
HIGHEST QUALITY. DFID DIRECTOR DAVID HALLAM EXPRESSED HIS

FRUSTRATION WITH THE SLUGGISH ESSP IMPLEMENTATION, STATING THAT THE BANK SHOULD FIND FLEXIBLE MECHANISMS TO QUICKLY OVERCOME THE PA MINISTRIES' BUREAUCRATIC HURDLES.

¶5. (SBU) CRAIG STATED THAT HE HAD RAISED WITH THE MOH THE OPTION OF HIRING AN OFF-SHORE DRUG PROCUREMENT AGENT TO ASSIST THE PA IN PROCURING DRUGS WHILE IT BUILDS INTERNAL PROCUREMENT CAPACITY, BUT THAT THE MOH HAD REFUSED THE SUGGESTION, CITING THE COMMISSION COSTS FOR SUCH AN AGENT.

¶6. (SBU) BANK OFFICIALS STATED THAT THEY HAVE BEGUN INITIAL DISCUSSIONS WITH DONORS AND THE PA ABOUT THE ESSP'S SECOND PHASE TO ENSURE THE CONTINUED PROVISION OF ESSENTIAL SERVICES TO THE PALESTINIANS FOR ANOTHER 6-12 MONTHS. BANK STAFF VOICED INTEREST IN NOT CONTINUING DRUG PROCUREMENT IN THE SECOND PHASE, GIVEN THE MANY PROBLEMS DURING THE FIRST PHASE. DONORS URGED THE BANK TO WORK THROUGH THE DRUG PROCUREMENT ISSUES SINCE A COORDINATED DONOR APPROACH IS VITALLY NEEDED.

¶7. (SBU) CRAIG NOTED A FURTHER OBSTACLE - THAT MOH PROCUREMENT OFFICES IN THE WEST BANK AND IN GAZA HAVE DEVELOPED SEPARATE PROCUREMENT STANDARDS, REQUIREMENTS, AND SPECIFICATIONS FOR EACH OF THE TWO AREAS, MAKING UNIFORM DRUG PROCUREMENT MORE COMPLICATED AND TIME CONSUMING.

¶8. (SBU) BANK OFFICIALS STATED THAT EUROPEAN CONSULTANTS WOULD BE CONDUCTING A TWO-WEEK INSPECTION AND AUDIT OF 2006-2007 ESSP OPERATIONS, AS PART OF AN EVALUATION OF THE TIM. THE AUDIT REPORT SHOULD BE AVAILABLE IN JUNE, HE SAID.

WALLES